

2018 Annual Report

Driving Reform and Economic Growth

May 8, 2019



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Table of Contents

| | |
|---|----|
| Introduction | 6 |
| Driving Progress | 8 |
| Leveraging Partnerships | 29 |
| Strengthening Efforts to Advance Global Development | 33 |
| Endnotes | 36 |

Abstract

Since its creation in 2004, MCC has transformed lives and created opportunities in its partner countries by focusing on one mission: reducing poverty through economic growth. By taking a country-led, results-driven approach to foreign assistance, MCC empowers the poor and catalyzes private investment for public good, creating a more secure world with more opportunities for economic growth at home and abroad.

Introduction

A Message From Secretary of State Mike Pompeo

The Millennium Challenge Corporation's (MCC) approach to foreign aid drives reforms and economic growth that promote stability in America's partner countries. MCC's mission is to reduce poverty in some of the world's poorest countries by addressing those countries' binding constraints to economic growth.

This mission bolsters the United States' national security and prosperity while strengthening relationships with our partner countries.

Congress created MCC in 2004 with strong bipartisan support. The agency's innovative model and data-driven approach deliver maximum results while efficiently and effectively using taxpayer dollars. MCC employs a competitive selection process that requires good governance and promotes economic freedom while incentivizing policy reforms.

Partnering with the private sector is essential to the success of MCC's mission. MCC works with the private sector throughout the development, planning, and implementation of its programs. Active engagement with the private sector, combined with the agency's efforts towards institutional reforms, sets the stage for continued private investment and long-term prosperity in our partner countries, to the benefit of U.S. interests.

MCC also works to reduce corruption in our partner countries and fosters accountability through institutional reforms. Those efforts improve the stability of countries of significant strategic importance and solidify America's relationships with its allies.

A Message From Vice President, Administration & Finance (and Head of Agency) Cynthia Huger

It is my privilege to lead the Millennium Challenge Corporation (MCC) during the 15th anniversary of MCC that began in 2004. During the past year, MCC closed out Indonesia, Malawi, and Cabo Verde compacts, five-year time-limited grants, while signing a smaller grant threshold program in Kosovo. The *African Growth and Opportunity Act and Millennium Challenge Act Modernization Act* was also enacted into law, authorizing MCC to enter into concurrent compacts in order to support cross-border projects that promote regional economic integration, trade, and collaboration.

Since the enactment of the Millennium Challenge Act of 2003, MCC promotes economic growth and the elimination of extreme poverty while at the same time strengthens good governance, economic freedom, and investments in people. Our time-limited investments help our partner countries reform their institutions, modernize their infrastructure, better serve the important needs of their citizens, and may ultimately create a better environment to leverage private sector investment through the Better Utilization of Investments Leading to Development Act of 2018 (or the BUILD Act).

Our innovative public-private partnerships mobilize private sector investment to help build our partner countries' capacity for growth while ensuring long-term sustainability and stewardship that outlives MCC engagement. In August 2018, I had the chance to see just how effective our public-private partnerships have been in the country of Georgia. Our second compact with Georgia sought to align education with the needs of the private sector to boost economic growth. MCC funded 10 Technical Vocational Education and Training (TVET) centers that brought the private sector into direct partnership with government and educational institutions. Each program has attracted significant co-financing from the private sector and the public sector because the programs are training the nation's future workforce. Harmonizing the skills of workers with industry demand will pay dividends for years to come.

MCC's innovative public-private partnerships in partner countries will unlock investment and growth opportunities for U.S. companies in MCC's partner countries and catalyze critical financing to advance MCC's mission of reducing global poverty.

Through our innovative independent, evidence-based approach that prioritizes good policies, fosters country ownership, and creates institutional reforms, MCC will continue to deliver solid results for our partner countries and, most importantly, for the American people.

Board of Directors: Fiscal Year 2018

The MCC Board of Directors comprises five government officials and four individuals from the private sector, who are appointed to serve by the President with the advice and consent of the U.S. Senate. The Board of Directors meets quarterly. At the end of fiscal year 2018, the Board had three vacancies.

- Mike Pompeo, Chair *Secretary of State*
- Steven T. Mnuchin, Vice Chair *Secretary of the Treasury*
- Robert E. Lighthizer *U.S. Trade Representative*
- Mark A. Green *Administrator, U.S. Agency for International Development*
- MCC Chief Executive Officer *Millennium Challenge Corporation*
- Mike Johanns *Former U.S. Senator and Secretary of Agriculture*

Driving Progress

MCC Partner Countries That Completed Compacts in Fiscal Year 2018

Since its founding, MCC and its partner countries have completed 25 compacts, totaling more than \$8.3 billion ([Table 1](#)). Three partner countries completed their MCC compacts in Fiscal Year (FY) 2018.

Cabo Verde

MCC's second compact partnership with Cabo Verde successfully concluded on November 30, 2017. In 2012, MCC partnered with Cabo Verde, a long-standing maritime and security partner of the U.S. Government, to implement a five-year, \$66 million compact. Building on the success of Cabo Verde's first MCC compact completed in October 2010, this compact combined infrastructure improvements with ambitious policy and institutional reforms to strengthen property rights and increase access to clean water and sanitation, improving the lives of more than 600,000 people. To accomplish this, the Government of Cabo Verde successfully passed over 50 laws, closed ineffective institutions, created new agencies based on sustainable commercial principles, and instituted gender and poverty-responsive service provisions, demonstrating their commitment to undertake difficult policy and institutional reforms, try new approaches, and scale effective interventions. The compact's programs aimed not only to build capacity within the Cabo Verdean civil society but also build a new reality for the people of Cabo Verde that can be sustained long after the compact. The compact successfully established a new land management system, clarified boundaries and rights on four islands, addressed gender, social and environmental issues around land rights, implemented key reforms in the water sector, created a new consolidated water utility, and extended water infrastructure to vulnerable households.

Indonesia

MCC's compact partnership with Indonesia concluded on April 2, 2018, having cumulatively disbursed approximately \$474 million and achieved a number of important successes. Notably, the Community-Based Health and Nutrition Project changed the national conversation around stunting and elevated anti-stunting efforts to a national priority. The Procurement Modernization Project achieved or exceeded many output level targets and ultimately trained over 1,000 individuals on the appropriate skills, systems, processes, and operating standards required of procurement professionals to reduce costs, increase transparency, and achieve efficiency in procurement. Among the trained professionals, 24 percent are women who continue to build their career in this profession. Through 66 grants, the Green Prosperity Facility sustainably rehabilitated over 430,000 hectares, added 12.7MW of renewable energy capacity, and trained almost 140,000 farmers and smallholders, over 50,000 of whom were women. MCC and the Government of Indonesia are continuing to work together on post-compact reporting and sustainability measures.

Malawi

The Malawi Power Compact successfully closed on September 20, 2018. In 2013, MCC partnered with Malawi to implement a \$350.7 million compact focused on the power sector. The compact took a comprehensive approach to strengthening the nation's power sector, providing funding for infrastructure, policy reform and environmental management. The compact is estimated to generate \$232 million worth of net benefits over 20 years and benefit almost one million Malawians. The compact modernized the power grid, transmission backbone, and hydropower generation to move power reliably throughout the country, as well as supported reforms to create a more sustainable power sector that can attract private investment in power generation. The compact's funding for the construction of substations and the upgraded grid will allow Malawi to connect to the South Africa Power Pool so it can trade electric power with its neighbors. The Malawi Power Compact was one of MCC's most ambitious reform-focused programs to date and the number and breadth of reforms asked of Malawi were significant—cutting across the whole power sector and involving legal and policy changes, financial support from the

Government of Malawi, organizational restructuring, regulatory reforms, gender equality practices in the utility and regulator, and a host of process- and skill-based management improvements. Several U.S. companies, including General Electric, Cardno, Maryland-based Ellicott Dredges, and Wisconsin-based Aquarius all delivered elements of the compact.

IMPACT BEYOND THE COMPACT: Building Partner Country Capacity

MCC funds more than infrastructure. It builds partner country capacity, expertise and know-how throughout the life cycle of its partnerships. MCC's commitment to country ownership means that countries are full partners in developing compacts and take the lead in compact implementation. By using and developing local expertise, MCC empowers citizens and builds self-sufficiency. This approach promotes the sustainability of MCC projects and extends the benefits of MCC's work beyond the strict five-year term of its compacts.

In **Malawi**, expertise developed under MCC's first power compact is informing strategies for power compacts that MCC is developing and implementing with its partners in Senegal, Burkina Faso, Benin, Nepal, and Ghana. Strong coordination with donors, U.S. Government agencies, and power sector stakeholders catalyzed the power sector resulting in Malawi recently signing its first power purchase agreements with private investors and a surge of investments that will build upon the compact's successes in infrastructure and reform from Power Africa, other donors, and private companies.

In partnership with the Government of **Cabo Verde**, MCC's assistance encouraged a number of additional activities not originally planned in the compact. The Water, Sanitation, and Hygiene Project was also able to support the creation of the island of Maio's utility through its Infrastructure Grant Facility (IGF). The compact did not originally target the island of Maio for support, but Maio responded to the incentives of the IGF. With the first tranche of funding, Maio restructured its utility into a public-private partnership and utilized the second tranche of funding for infrastructure investments to move the island to 24/7 water service. MCC and the Government of Cabo Verde were able to leverage resources for preliminary studies for the islands of Santo Antão and São Nicolau through a request to the World Bank's Public-Private Infrastructure Advisory Facility.

MCC and the Government of **Indonesia** worked for 18 months to create the implementing structure of the compact prior to its start in April 2013. MCA-Indonesia, the entity created by the Government of Indonesia to implement the compact, was established as a national trust fund, a new and innovative model for development funding in Indonesia. The fund has allowed the government to explore the possibility of taking a greater role in managing both assistance and its own development funding. One of MCA-Indonesia's greatest attributes was that despite its status as a government institution, it was permitted to channel donor and central government funding to development projects at the community level. MCA-Indonesia's design included a public and private sector Board of Trustees, the first of its kind in Indonesia. After the establishment of MCA-Indonesia, the Government of Indonesia created two more trust funds based on this model.

In **Zambia**, several Innovation Grants Program (IGP) grantees secured funding to scale project activities from other donors. Catalyzed by MCC's initial IGP investment, Zambia Breweries leveraged

\$20,000 in additional funding from the French Embassy to expand their activities. IGP grantee—MECB Consulting Ltd.—received a grant of \$100,000 from The Coca-Cola Africa Foundation to fund expansion and rehabilitation of the water supply network in Jack Compound, a neighborhood in the capital city of Lusaka. This work is part of a broader Memorandum of Understanding that MCC signed with The Coca-Cola Africa Foundation in October 2017. In addition, MECB reports that its IGP

Table 1: Completed MCC Compacts since 2004, as of September 30, 2018

| Partner Country | Date Compact Signed | Compact Obligations as of September 30, 2018 (in millions of dollars) | |
|-----------------|---------------------|---|--|
| Madagascar | April 8, 2005 | \$85.6 | |
| Honduras | June 14, 2005 | \$204.0 | |
| Cabo Verde | July 5, 2005 | \$108.5 | |
| Nicaragua | July 15, 2005 | \$112.7 | |
| Georgia | September 12, 2005 | \$387.2 | |
| Benin | February 22, 2006 | \$301.8 | |
| Vanuatu | March 2, 2006 | \$65.4 | |
| Armenia | March 27, 2006 | \$176.6 | |
| Ghana | August 1, 2006 | \$536.3 | |
| Mali | November 13, 2006 | \$434.3 | |
| El Salvador | November 29, 2006 | \$449.6 | |
| Mozambique | July 13, 2007 | \$447.9 | |
| Lesotho | July 23, 2007 | \$358.0 | |

| Partner Country | Date Compact Signed | Compact Obligations as of September 30, 2018 (in millions of dollars) |
|---------------------|---------------------|---|
| Morocco | August 31, 2007 | \$650.1 |
| Mongolia | October 22, 2007 | \$269.0 |
| Tanzania | February 17, 2008 | \$694.5 |
| Burkina Faso | July 14, 2008 | \$474.7 |
| Namibia | July 28, 2008 | \$295.7 |
| Senegal | September 16, 2009 | \$433.3 |
| Moldova | January 22, 2010 | \$259.4 |
| Philippines | September 23, 2010 | \$385.1 |
| Jordan | October 25, 2010 | \$272.9 |
| Malawi ¹ | April 7, 2011 | \$350.7 |
| Indonesia | November 19, 2011 | \$526.5 |
| Cabo Verde II | February 10, 2012 | \$65.6 |

MCC Partner Countries in Compact Implementation

Eight countries in MCC's portfolio were in compact implementation as of September 30, 2018 (included in Table 2). A compact's entry into force establishes the starting date for the grant's five-year timeline. Each compact is managed and implemented by a Millennium Challenge Account (MCA), the accountable entity established by the partner country's government. Key compact milestones from FY 2018 are described below.

Benin

The \$375 million Benin Power Compact entered into force on June 22, 2017. In FY 2018, the compact reached significant milestones relating to off-grid electrification. In August 2018, Benin's Council of Ministers adopted an off-grid policy, master plan, and regulatory framework, thereby satisfying a condition precedent to the release of \$20 million for off-grid electrification. MCA-Benin launched its first request for applications for the \$32 million Off-grid Clean Energy Facility, the U.S. Government's largest bilateral off-grid electrification fund, with awards expected in the first quarter of 2019. GE Grid Solutions won a \$17 million contract to design and install Benin's first electricity dispatch control center, a major contribution to the modernization of Benin's electrical grid. Finally, a request for proposals was launched for a management contract and associated auditor for the national electricity utility, with award expected in the first quarter of 2019.

El Salvador

The \$277 million El Salvador Investment Compact entered into force on September 9, 2015. During FY 2018, construction works for the Coastal Highway Expansion Activity began and the Border Crossing Infrastructure Activity's supervision and construction tenders were launched. Construction of twelve schools also began and teacher training and student achievement interventions are underway. Under the Investment Climate Project, the grant facility subactivity has signed five investment agreements through the end of FY 2018, which leverage \$56.1 million in private investments using \$11.8 million in MCC funding. A contract with Deloitte was signed to develop El Salvador's first-ever public-private partnership to attract private investment in the transportation sector under the Public-Private Partnerships subactivity. The Regulatory Improvement Activity succeeded in advancing several key laws, including reforms to the Customs Directorate under the Ministry of Finance to improve trade facilitation and a new draft law was developed to create the legal framework for the Government of El Salvador's permanent, independent institution for regulatory reform.

Georgia

The \$140 million compact with Georgia entered into force on July 1, 2014. Thirty-two K–12 schools were fully rehabilitated and reopened in FY 2018, resulting in a current total number completed of 58. In addition, construction began in the summer on 33 final schools, with a total target of 91 to be refurbished by the compact end date. Gender and the inclusion of marginalized groups has been a key consideration of the compact and has been integrated in four main ways. The compact makes direct investments in schools, as well as targeted training for teachers and principals that imparts gender and socially inclusive pedagogy. Additional investments in vocational education open new opportunities for women and girls in non-traditional career paths. Lastly, targeted recruitment and programmatic support encourage young women to pursue science, technology, engineering, and math (STEM) studies. In line with the agency's aim to use partnerships to increase the impact and sustainability of its programs, MCA-Georgia partnered with nearly a dozen major companies and industry leaders in Georgia last year to secure \$3 million in scholarships for students to pursue STEM degrees under the compact's San Diego State University (SDSU) Georgia Project. Many of these same partners are already employing SDSU Georgia students, giving them invaluable experience in their fields before they graduate. Such partnerships enable MCC to increase significantly the total number of beneficiaries while establishing linkages between the country's top STEM employers and SDSU Georgia—linkages that will last well beyond the compact and that will serve as a pipeline for talented, highly sought-after engineers.

Ghana

The \$498.2 million Ghana Power Compact entered into force on September 6, 2016. The compact achieved significant milestones in FY 2018 supported by political leadership at the highest levels of the Government of Ghana. The government successfully concluded a transparent and competitive procurement process for a concessionaire for its primary public electric distributor, the Electricity Company of Ghana (ECG), selecting a consortium led by MERALCO, a Filipino firm, and unlocking

\$190 million in compact funding. This is an important milestone in improving the performance of ECG to help it become a functional, creditworthy, and self-sustaining power utility that will better serve its existing and future customers as well as leverage up to \$500 million of private investment in the sector.

The next step is for the government to grant the full concession in ECG to MERALCO, which is expected in early 2019. The completion of this milestone will mark the largest U.S. Government transaction connected to Power Africa. The government also made headway on the compact infrastructure program, which is on track to release to the market several major procurements for new electricity distribution infrastructure.

Liberia

The \$256.7 million compact with Liberia entered into force on January 20, 2016. In January 2018, Liberia underwent its first democratic transition of power since 1944. Over the course of the year, the new government made significant progress towards achieving compact objectives. Major rehabilitation of the Mount Coffee Hydropower Plant was completed, permitting the plant to provide reliable electric power to the grid. As an accompanying measure, the compact plans to fund restoration of a water pipeline from the power plant to the capital's main water treatment plant. A new electric utility management contract was operationalized and the sector experienced improved service. The government confirmed commissioners to the new electricity regulatory commission that the compact supports. The National Road Fund, Liberia's first dedicated resource for road maintenance, saw the appointment of a Road Fund Manager, recruitment of full-time key staff, and the flow of funds from fuel levies into the National Road Fund account in the Central Bank.

Morocco

The \$450 million Morocco Employability and Land Compact entered into force on June 30, 2017. The Education and Training for Employability Project continues to implement a new model for public education in three regions of the country based on school improvement plans completed in 90 pilot schools. The \$100 million Technical and Vocational Education and Training (TVET) grant facility to promote private sector engagement in vocational training through public-private partnerships (PPPs) attracted strong interest, with 100 proposals received. A short list of proposals is undergoing due diligence for final selection. The Moroccan Parliament passed a new law on continuing education, which unlocked compact funding for works around labor market reforms. On the Land Productivity Project, design work is ongoing to commence infrastructure works and to launch PPPs for three pilot industrial zones in the third quarter of 2019, while a \$30 million grant facility to incentivize better governance and the rehabilitation of industrial zones will be launched early next year. The national dialogue on land reform began during FY 2018. Town halls are ongoing, and an online platform was launched to receive input from the population at large. Recruitment for the contractor to lead the Melkisation (land privatization) Activity is underway.

Niger

Niger's \$437 million Water and Agriculture Compact entered into force on January 26, 2018. After entry into force, MCC and MCA-Niger organized a successful implementation workshop in Niamey in April 2018 and submitted the initial disbursement request for compact funds in May 2018. In August 2018, Government of Niger organized events to mark the launch of the compact.

Zambia

The \$354.8 million compact with Zambia entered into force on November 15, 2013. The compact continued to advance its goal of delivering expanded and rehabilitated water, sanitation, and drainage infrastructure to 1.2 million people in the capital of Lusaka. Two of the nine infrastructure contracts were completed and two contracts were terminated due to poor performance. The terminated contracts were re-procured and are scheduled to be completed in the fourth quarter of 2019 with government funding. All other contracts made progress. The compact supported the establishment of a new solid waste management company to keep the newly constructed drains free of trash and debris. The compact supported policy reform and institutional strengthening activities to improve service delivery provided by the Lusaka water utility and the Lusaka municipal government. New asset management, social and gender, and peri-urban policies have been developed and are in place. The compact's Innovation Grants Program awarded nearly \$5 million in grants to community-based organizations and private sector entities to improve service delivery to vulnerable populations and support sustainability. Through FY 2018, the government has contributed over \$50 million towards the compact, including payment of arrears to the water utility. The government also committed to provide an additional \$15 million to complete outstanding work after the compact's end date of November 15, 2018.

Table 2: Data declined from FY17 due to corrections of misreported data in closed compacts.

| Partner Country | Total Compact Amount at Signing | Activity in FY2018 | | | |
|-----------------|---------------------------------|--------------------|--------------|------------------------|--------------|
| | | Section 609(g) CDF | | Section 605 Assistance | |
| | | Obligations | Expenditures | Obligations | Expenditures |
| Benin | \$375.0 | | \$6.5 | | \$5.5 |
| Cabo Verde | \$66.2 | | | \$(0.6) | \$8.3 |
| Cote d'Ivoire | \$524.7 | \$44.3 | | | |
| El Salvador | \$277.0 | | \$0.6 | | \$23.2 |
| Georgia | \$140.0 | | | | \$37.9 |
| Ghana | \$498.2 | | | | \$16.6 |
| Indonesia | \$600.0 | \$(5.1) | | \$(68.5) | \$142.3 |
| Liberia | \$256.7 | | | | \$40.2 |
| Malawi | \$350.7 | | | | \$71.1 |
| Mongolia | \$350.0 | \$28.1 | | | |
| Morocco | \$450.0 | | \$4.7 | | \$6.1 |
| Nepal | \$500.0 | | \$0.3 | | |

| | | Activity in FY2018 | | | |
|-----------------|---------------------------------|--------------------|--------------|------------------------|--------------|
| | | Section 609(g) CDF | | Section 605 Assistance | |
| Partner Country | Total Compact Amount at Signing | Obligations | Expenditures | Obligations | Expenditures |
| Niger | \$437.0 | | \$6.5 | \$409.9 | \$2.3 |
| Zambia | \$354.8 | | \$0.9 | | \$83.9 |

Table 3: Signed Compacts That Had Not Yet Entered Into Force as of September 30, 2018

| Partner Country | Section 609(g) Assistance Obligations (in millions of dollars) | Section 609(g) Assistance Expenditures (in millions of dollars) |
|--|--|---|
| Nepal On September 14, 2017, MCC and the Government of Nepal signed a \$500 million compact with projects in the electricity and roads sectors. Nepal committed an additional \$130 million—the largest upfront partner commitment in an MCC compact to date—for an overall program budget of \$630 million. In preparation for entry into force, the compact made progress toward several milestones in FY 2018. Nepal established MCA-Nepal as the implementing body in April 2018 and designated the Electricity Transmission Project as a National Pride Project Nepal in September 2018. Nepal is continuing to work to advance several other conditions precedent to entry into force, including a cross-border transmission line agreement with India and compact ratification. | \$40.5 | \$0.3 |
| Mongolia On July 27, 2018, MCC and the Government of Mongolia signed the \$350 million Mongolia Water Compact. The compact will increase the long-term water supply in the capital city of Ulaanbaatar by more than 80 percent through assistance for new groundwater wells, a water purification plant, a new wastewater recycling plant, and policy reforms to enhance long-term sustainability. Mongolia will provide up to \$111.8 million of additional financing to ensure | \$28.1 | \$0.0 |

| Partner Country | Section 609(g) Assistance Obligations (in millions of dollars) | Section 609(g) Assistance Expenditures (in millions of dollars) |
|---|--|--|
| implementation of the full compact program. | | |
| Côte d'Ivoire On November 7, 2017, MCC and the Government of Côte d'Ivoire signed a \$524.7 million compact with projects in the transportation and education sectors, expected to benefit over 11 million people. The compact is working towards entry into force and has achieved important milestones, including the hiring of the MCA CEO, ongoing competitive recruitment of key staff, recruitment of the fiscal and procurement agents, and achievement of certain conditions precedents necessary for initial disbursements. MCC-managed procurements were launched for the Abidjan Transport Project, with significant market outreach and research completed. | \$44.3 | \$0.0 |

Note: For MCC's financial reporting, disbursements are expenditures. Compact funds are fully obligated, and the five-year compact term starts when the compact enters into force.

Compacts in Development

During FY 2018, MCC continued work with six countries to develop potential compacts. This section highlights the status of each compact as of September 30, 2018.

Burkina Faso

In December 2016, MCC's Board designated Burkina Faso as eligible to develop a second compact. MCC and Burkina Faso jointly identified two primary constraints to growth: the high cost of low quality and poor access to electricity, and the lack of a skilled workforce. On this basis, Burkina Faso submitted project proposals. Based on MCC guidance, Burkina Faso is now proceeding with the development of a single sector compact, which will focus on addressing the constraints in the electricity sector, which will be designed through feasibility and other studies to be launched later in FY 2019.

Lesotho

In December 2017, MCC's Board reselected Lesotho as eligible to develop a second compact recognizing Lesotho's concrete steps over the past year that demonstrate a commitment to addressing concerns about the rule of law. In 2018, MCC completed the constraints analysis, identifying ineffective policy planning, coordination, and execution as well as poor health related to HIV/AIDS as constraints to economic

growth. MCC is developing strategies to address the identified root causes based on concept notes submitted by the Government of Lesotho.

Senegal

MCC's Board designated Senegal as eligible to develop a second compact in December 2015. MCC and the Government of Senegal identified the high cost of and poor access to energy as a binding constraint to growth, along with a challenging business environment. In FY 2017, the government submitted four concept notes followed by detailed proposals for assistance in the energy sector, with a focus on generation, access, network modernization, and reform. In September 2018, MCC successfully negotiated a \$550 million compact with the Government of Senegal and presented the compact to MCC's Board. On November 7, 2018, the Board approved the second Senegal Compact.

Sri Lanka

MCC's Board designated Sri Lanka as eligible to develop a compact in December 2016. In FY 2018, MCC and Sri Lanka developed a \$480 million compact to address two binding constraints to economic growth: weak transport infrastructure and lack of access to state and private lands for investment. MCC presented the compact to MCC's Board for discussion in September 2018. Following successful negotiations with the Government of Sri Lanka, MCC intended to seek Board approval of the compact before the end of the calendar year. As of the end of FY 2018, uncertainty in Sri Lanka's political situation led MCC to pause on advancing the compact while it assesses the situation.

Timor-Leste

MCC's Board designated Timor-Leste as eligible to develop a compact in December 2017. In FY 2018, MCC worked with the Government of Timor-Leste to understand better three binding constraints to growth, namely public financial management, low human capital driven by stunting and low education levels, and a weak business-enabling environment. MCC and the Government of Timor-Leste are exploring initiatives to address the core problems of stunting and a lack of skilled workers that underlie the human capital constraint, while recognizing the importance of improving the business environment in order for those interventions to be effective. Following this phase, MCC will work with the government to focus the scope of potential projects for further assessment.

Tunisia

MCC's Board designated Tunisia as eligible to develop a compact in December 2016. MCC and the Government of Tunisia identified three binding constraints to growth: excessive market controls of goods and services, excessive labor market regulations, and water scarcity constraining development in the interior regions of Tunisia and in the agriculture sector. In response to those constraints, the Government of Tunisia submitted strategic concepts focused on alleviating water scarcity to promote more consistent agricultural production in the interior regions of Tunisia, and improvement of the business climate. MCC worked with the Government of Tunisia to develop project proposals in those two sectors that will serve as the basis for project development.

Sector Results at a Glance: By the Numbers and Key Policy Reforms

Numbers are cumulative since MCC's founding in 2004 and current as of September 30, 2018.

Once the MCC Board selects a country as eligible to develop a compact or threshold program, the next step in MCC's process is to work with partner country officials to conduct a rigorous joint analysis that identifies the most binding constraints to economic growth. The results of the analysis help MCC to prioritize its programs in the areas that represent the greatest impediments to private investment and poverty reduction. These areas may include access to credit, governance, electricity, water and sanitation, transportation, agriculture and irrigation, education, or health. Constraints to growth are different for each country and ultimately drive MCC's program strategy. Below are highlights of MCC's sector programs that have emerged from this analysis.

Power

2,788 miles of electricity lines completed

MCC partner countries closed out power projects in Indonesia and Malawi, continued to implement power projects in Sierra Leone, Liberia, Ghana, Kosovo, Benin, and Nepal, and developed new power projects in Senegal, Burkina Faso, and The Gambia. In Indonesia, 29 small renewable energy projects were completed, including some using biomass and biogas as fuel. In Malawi, MCC completed a 400- kilovolt backbone transmission line connecting the southern and central region, as well as rehabilitation of a 36-megawatt hydropower facility. Threshold programs focused on power sector reform in Sierra Leone and energy efficiency in Kosovo are under implementation, while another is in early stages of development for the Gambia. The Mount Coffee Rehabilitation Activity has now been completed in Liberia, providing the country with much needed inexpensive power, while a management services contractor is working to improve the performance of Liberia's national power utility. In Ghana, MCC assisted the government in the competitive procurement of a private sector concessionaire for the long- term operation and management of the large distribution utility in the south. The official commencement of the concession is anticipated in early 2019, along with preparation for massive construction works in the distribution system, which is nearing completion. Preparation for the launch of a tender to procure solar power generation competitively, as well as distribution system upgrades, is ongoing in Benin. The government fulfilled its reform commitment to adopt a plan to set appropriate power prices to fund its ambitious goal of increasing electricity access. Design, permitting, environmental and social assessments, plus arrangements for cross-border power trade with India, are all progressing in Nepal as the compact's implementation is set to start in earnest in late 2019. In Senegal, a compact program focused on sector reform, transmission upgrade around Dakar and rural grid extension has been finalized. Finally, power sector focused projects are undergoing final feasibility studies for a compact program in Burkina Faso and power sector reform projects are being reviewed for a threshold program in The Gambia.

Transportation

1,885 miles of road completed

2,911 additional miles of roadway under construction

MCC finances transportation and other physical infrastructure programs designed to spur economic growth. Niger has started the designs to upgrade approximately 233 miles of national and rural roads, bringing them up to international standards in order to enhance both national and regional connectivity. Implementation of technical assistance and policy reform activities that are essential to ensure that Liberia has a long-term, sustainable road maintenance program are approaching completion. In Nepal, a pilot program has been launched targeting capacity building in developing new road maintenance construction techniques that will guide the design of future periodic maintenance works on up to 300 kilometers of roads. In Côte d'Ivoire, the procurement for the design of a major rehabilitation and upgrade of four major urban corridors in the metropolitan area of Abidjan has been launched. In El Salvador, the construction of a capacity upgrade of a heavily trafficked 18-mile segment of coastal highway has started. In addition, the tender for a design-build contract of the El Amatillo Border Crossing between El Salvador and Honduras has been launched.

Water and Sanitation

12,386 people trained in hygiene and sanitary best practices 1,191 water points constructed

MCC supports capital improvements and policy and institutional reforms to improve the level and quality of water and sanitation services in partner countries. MCC's \$350 million compact in Mongolia aims to provide a sustainable supply of water that will stem the impact of an impending water crisis and sustain private sector-led economic growth in the capital city, Ulaanbaatar. The compact will increase the available supply of water through infrastructure for development of new wellfields and capacity building. The compact's Water Supply Project will support the construction of new groundwater wells and a state-of-the-art plant for purifying drinking water, the construction of a recycling plant for treating wastewater for industrial reuse, and the development and implementation of policy, legal, regulatory and institutional reforms that enhance the long-term sustainability of Ulaanbaatar's water supply. These programs will increase the supply of water to Ulaanbaatar by more than 80 percent. In Sierra Leone, MCC has committed \$16 million toward a Water Sector Reform Project that aims to improve access to reliable and safe water and sanitation (WASH) services, utility management and efficiency, and WASH practices at the household level. Increased access to safe drinking water, food, and sanitation services is critical to improving children's nutritional status.

Agriculture and Irrigation

404,477 farmers trained 504,004 acres under improved irrigation

In July 2016, MCC signed a \$437 million compact with Niger focused on strengthening the agricultural sector. Through the compact's Irrigation and Market Access Project, MCC will work with the Government of Niger to improve irrigation in the regions of Dosso and Tahoua. This work will include the rehabilitation and development of two large-scale irrigation systems in the Konni and Sia Kouanza perimeters respectively. Technical support will be provided to farmers and their associations for improving access to markets and post-harvest services. Moreover, the project will rehabilitate roads linked to the irrigation perimeters, providing more effective access to inputs, services, and markets.

Reform of institutional policies for fertilizers, support of the national water management plan, development of a management plan for strengthening property and land rights, and the statistical capacity

of the National Institute of Statistics and key ministries complement the infrastructure activities. These activities will increase local understanding of best practices for the sustainable use and maintenance of irrigation and market infrastructure.

Land

320,722 household, commercial, and legal entities granted protected land rights

MCC works with partner countries to improve land governance and administration, strengthen property rights, and stimulate private sector investment in more productive land use. In Morocco, MCC began implementation of its largest land project to date. The \$170.5 million Land Productivity Project aims to respond to private investor demand in rural and industrial land markets by updating and improving laws, regulations, and administrative processes to simplify access to land and boost individual and business confidence to facilitate long-term investments. The project will test a more sustainable, market-driven model of industrial zone public-private partnerships in the Casablanca region; pilot a faster and more inclusive process to convert Morocco's collective irrigated farmland into individual smallholder ownership; and develop and implement a long-term strategy to address land governance and land market obstacles to greater investment and productivity. In addition, two MCC compacts with significant land programs closed. MCC helped Cabo Verde to reduce the time to register land property rights and establish more conclusive land rights records in areas of the country with high tourism investment potential. MCC funding was also used to map and begin registration of land parcel rights on the islands of Sal, Boa Vista, Maio, and Sao Vicente, with registration of all parcels completed on Sal and Maio. A new computerized Land Information Management and Transaction System (LMITS) was developed and installed. Post-compact, the government is using its own resources to sustain the compact's momentum, already completing the registration of all parcels on Boa Vista and ensuring nation-wide use of the LMITS system. In Indonesia, MCC funding assisted 363 communities to define and demarcate the boundaries of their villages, yielding legally recognized village maps to improve licensing, permitting, and land use planning as part of MCC's broader natural resource management and renewable energy programs. Land and natural resource information systems were also installed in 41 districts, 10 provincial governments, and the national geospatial data agency offices to supply decision-makers with the information needed to encourage investment while effectively managing land and other natural resources.

Education

804 education facilities constructed or rehabilitated 4,951 instructors trained

217,474 students participating in MCC-supported education activities

MCC works with partner countries to ensure that students obtain the knowledge and skills needed by the private sector. In El Salvador, the compact is strengthening the national education system and reforming the country's technical and vocational education and training system. The program focuses on continuous professional development for teachers with special emphasis on grades 7 to 12. In Georgia, 71 schools have been rehabilitated, with another 20 on track to be completed in the fourth quarter of 2019, thereby improving the learning environments for more than 37,000 Georgian students in grades 1-12. In addition, all STEM teachers, as well as those teaching English and geography, have received training in student-centered learning, classroom management, and subject-specific pedagogy. The MCA-Georgia technical and vocational education and training (TVET) grants, totaling approximately \$12 million, have

successfully ended; the grants, together with the technical assistance and public relations activities, have substantially reformed the TVET system in Georgia, as well as the perception of technical and vocational education in that country. In Morocco, 34 schools have drafted their three-year School Improvement Plans, with another 56 schools drafting their plans this school year. These improvement plans address rehabilitation, teacher and administrator training, and equipment needs that will improve the learning environments in a total of 90 schools in three regions of the country. Also in Morocco, planning has advanced significantly for a TVET grant facility, as well as a results-based financing compact component that aims to improve job placement for women and at-risk youth. The Côte d'Ivoire Compact will include activities in both secondary education and TVET that will focus on increasing the quality of and access to lower secondary education and creating a model for TVET centers that are aligned with the needs of the private sector. In the Guatemala Threshold Program, education activities include the design of four institutions and training programs for secondary education teachers and the selection of 14 pilot schools to take part in the TVET strengthening program. The Guatemala Threshold Program is also supporting the Ministry of Education to develop new tools and strategies to advance the country's TVET system by designing and implementing new curricula that better meet labor market demand.

Health

1,564 health providers trained on growth monitoring

6,724 service providers trained on community-led total sanitation triggering²

17,531 service providers trained on infant and young child feeding

MCC works with partner countries to integrate sanitation, maternal and child health, and nutrition projects to reduce stunting and increase household income. In April of 2018, the Government of Indonesia completed the Indonesia Compact that provided over \$120 million to reduce stunting through the completion of over 181,000 health and education focused community activities, training over 17,000 service providers on proper feeding for pregnant mothers and infants, distributed over 35 million iron tablets for pregnant women, and conducted over 4,000 sanitation triggering events in 64 districts. In Kosovo MCC is providing \$9 million towards improving data and public health communication in order to promote behaviors that reduce air pollution's negative impact on health.

A Results-Based Approach

MCC uses a country-driven, results-based approach to its global programs, ensuring that each compact generates cross-cutting impact. MCC is committed to applying its experience, expertise, and flexibility to evolving challenges to achieve economic growth. This means focusing on the following areas:

Gender and Social Inclusion

Gender integration and social inclusion are essential to achieving MCC's mission to reduce poverty through economic growth, and MCC integrates inclusion into every phase of its programs. Catalyzing and supporting institutional reforms ensure that the impacts of MCC's programs extend well beyond the life of a compact. In Liberia and Ghana, MCC compacts are aimed at strengthening the policies and practices of electrical utilities in order to enable them to provide more reliable services to their diverse set of customers. MCC's Gender Policy, first adopted in 2006, requires that gender inequalities be addressed

during country selection, in the development and design of programs, and throughout program implementation and impact evaluations. MCC supports women entrepreneurs in Benin by creating opportunities to manage local natural resources more sustainably. MCC provides workforce opportunities that allow women to compete for better-paying jobs in nontraditional sectors, including in construction in Zambia and energy in Ghana. In parallel with MCC's programs in education and skills development, MCC addresses gender issues to improve girls' access to and completion of their education. In El Salvador, MCC's compact has supported the development of the Ministry of Education's Gender Policy and Gender Unit, designed to improve gender equality in the country's educational system. The Georgia Compact's STEM Higher Education Project is designed to increase women's participation in STEM degree programs. To attract and retain girls and minorities in the joint degree program offered by San Diego State University in Georgia, MCC supports targeted outreach and recruitment efforts as well as scholarships to attract and retain girls and minorities. A recruitment effort with focused gender messages has resulted in significant female enrollment.

Environment, Health and Safety

MCC's Environmental and Social Performance team works with partner countries to integrate internationally accepted principles of environmental and social sustainability into the design and implementation of compacts. MCC engages with partner country stakeholders to enhance and sustain the management of valuable environmental resources and to build local community understanding of and support for MCC-funded programs. MCC's performance in managing environmental and social issues was critical to the successful completion and closeout of three compacts in FY 2018. In Malawi, MCC supported improved land-use practices in upstream communities so as to decrease sedimentation in the Shire River and protect the life span of downstream hydropower infrastructure funded by MCC. The sustainability of improved upstream land-use management was institutionalized through the establishment of an environmental trust fund that will live on after the compact. In Zambia, MCC helped the Government of Zambia effectively manage several thousand cases of temporary resettlement and worked closely with local communities and contractors across dozens of active work sites in water supply, sanitation, and drainage to ensure the health and safety of local residents and the

MCC Threshold Programs: Results Through Reforms

MCC's threshold program assists promising candidate countries to become eligible for a compact by offering them the opportunity to demonstrate their commitment to just and democratic governance, economic freedom, and investments in their people. By advancing policy reforms and strengthening institutions to address the most binding constraints to economic growth, threshold programs allow the agency to assess the opportunity for an impactful and cost-effective partnership before committing to a larger compact. MCC uses the same rigorous, evidence-based approach in threshold programs as it does in compacts, leading to high-quality programs that maximize potential systemic impact and lay the foundation for a higher level of assistance.

In FY 2018, MCC partnered to develop or implement threshold programs with Kosovo, Guatemala, Honduras, Sierra Leone, Togo, and The Gambia. Timor-Leste, which began as a threshold program partner in FY 2017, was designated by MCC's Board as eligible to develop a compact in FY 2018. The

diagnostic work carried out through the threshold program partnership created a strong foundation for the development of the country's compact.

Kosovo

In September 2017, MCC and the Government of Kosovo signed a \$49 million threshold program to strengthen the power sector by fostering a market-driven approach to lowering energy costs for households and businesses, encouraging energy efficiency, and developing new sources of electricity generation. The program also supports the Government of Kosovo's efforts to improve decision-making and accountability by increasing the accessibility and use of judicial, environmental, and labor force data. In line with expectations, the first year of the Kosovo Threshold Program has focused on the staffing of the accountable entity, Millennium Foundation Kosovo, putting in place fiscal controls, work planning, finalizing activity designs, and preparing terms of reference for procurement. The first activity, the Open Data Challenge, was launched in July. Implementation of the bulk of activities will commence in early 2019.

Guatemala

MCC and the Government of Guatemala are partnering to implement a \$28 million threshold program. Signed in April 2015, the program is designed to improve the quality of secondary education. In order to increase government spending on social services, including education, MCC is also working with Guatemala to mobilize financial resources through customs and tax administration reforms and by attracting private capital to finance infrastructure through public-private partnerships. In August 2018, the accountable entity, PRONACOM, signed grant agreements with three Guatemalan universities to offer teaching degrees to 2,000 public school teachers in five different regions of the country. MCC authorized an eight-month extension of the threshold program, until December 2020, to ensure that the two-year teacher certification program could be completed. On the resource mobilization project, Deloitte is conducting a feasibility study for improving, operating, and maintaining the Aurora International Airport as a public-private partnership.

Honduras

MCC and the Government of Honduras signed a \$16 million threshold program agreement in August 2013 to enhance the transparency and efficiency of public financial management, procurement, auditing, and oversight of public-private partnerships. In 2017, the government launched a procurement certification program aimed at improving the transparency, accountability, and quality of public procurement by training civil servants and requiring that all procurements above a certain threshold be managed by certified professionals. MCA-Honduras is implementing a national e-procurement system (HonduCompras) that will be integrated with the national financial management system. In addition, the process for selecting which government payments the Honduran treasury makes on a daily basis has now been automated based on objective criteria. Together, these reforms will reduce opportunities for political influence over government contracts and the timing of payments to vendors. The program was extended until May 2019 due to a procurement delay.

Sierra Leone

MCC and the Government of Sierra Leone signed a \$44 million threshold program agreement in November 2015 to improve access to clean water and reliable electricity, and to support reforms designed to limit opportunities for corruption. In March 2018, Sierra Leone held presidential, parliamentary, and local elections that were deemed free and transparent by international observers. Opposition presidential candidate, Julius Maada Bio, of the Sierra Leone People's Party, won in a run-off. The administration has voiced its support for the \$44 million Sierra Leone Threshold Program to support policy reforms and improved governance in the water and electricity sectors. On the programmatic front, the Electricity and Water Regulatory Commission conducted a practice demonstration for application, determination, and approval of tariffs. In addition, a district metering area has been selected in order to pilot improved business practices by the water utility company in conjunction with enhanced service delivery, and the physical mapping of the water utility's system is now complete.

Togo

The MCC Board selected Togo as a new threshold country partner in December 2015. The Government of Togo has worked closely with MCC to develop an ambitious program to address critical constraints in its information and communications technology (ICT) and land sectors. To address the constraint of poor ICT services, the proposed program would improve Togolese citizens' access to high-quality and affordable ICT services by encouraging private sector investments in the ICT sector and developing an independent regulatory regime. In the land sector, the proposed program would expand access to formalized land titles through the recognition and protection of legitimate land rights, in order to accelerate agricultural productivity.

The Gambia

The MCC Board selected The Gambia for a threshold program in December 2017. MCC has engaged with the Government of The Gambia, The Gambia's economic advisory council, the chamber of commerce, donors, and public and private sector representatives from across the country to conduct the constraints analysis. In parallel, MCC partnered with the World Bank to conduct a new enterprise survey on challenges to private sector growth and investment. MCC approved the constraints analysis in July 2018. The analysis was conducted using an accelerated approach and identified four binding constraints to economic growth: unreliable electricity, high government debt burden, low availability of finance for the private sector, and poor trans-fluvial transportation. MCC and The Gambia are pursuing program development related to the electricity and transportation constraints, including due diligence on the state-owned enterprises in both sectors.

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Leveraging Partnerships

MCC has broadened and deepened its partnerships with partner country governments, public donors, the private sector and other U.S. Government agencies to further its impact and the sustainability of its investments.

MCC's Partnership Annual Program Statement

MCC utilized its Partnership Annual Program Statement (APS) to facilitate open, fair, and transparent competition of partnering opportunities and to foster proactive collaboration and partnership co-creation among MCC and potential partners. The APS enabled MCC and prospective partners to co-create partnerships that make the best use of each organization's distinct knowledge, networks, innovations, investments, personnel, and resources. In FY 2018, MCC showcased nine distinct partnership opportunities in the APS, received 53 partnership concept papers from prospective partners, and launched seven new partnerships, with several others still in the process of formation. Partnerships borne via the APS in FY 2018 include partnerships with the following organizations:

- The Center for International Development at Harvard University to develop enhanced economic growth diagnostics methods and techniques that address commonly faced challenges and advance new ideas on the growth diagnostics methodology that forms the basis of MCC's Constraints Analysis process. The effort will focus on three important areas within growth diagnostics: human capital, finance, and coordination failures for structural transformation. Each major focus area will review the theoretical foundations that frame the approach, as well as produce practical guidance that informs the application of MCC's constraints
- AidData, a research and innovation lab located at the College of William & Mary, to combine expertise in remote sensing, machine learning, geospatial science, economics and land use public policy to develop an integrated approach for using high-resolution remote satellite data for timely measurement of land-use
- A consortium led by LIRNEasia to create cost-effective systems for monitoring and evaluating traffic and transport by conducting big data analytics on mobile phone network

MCC's Strategic Partnership with the Organization for Economic Cooperation and Development

MCC signed a Memorandum of Understanding (MOU) with the Organization for Economic Cooperation and Development (OECD) in April 2017, identifying potential areas for strategic collaboration. Given the importance of evidence-based approaches to MCC's model, partnering with the OECD allows MCC to leverage OECD's wealth of harmonized data from major donor countries and infrastructure for analysis to inform MCC's work. MCC's ties with the OECD have grown, from collaborations on the constraints analyses in Senegal and Cote d'Ivoire in 2017, to a new partnership agreement to support the MCC Tunisia Country Team signed in August 2018. Through this agreement, OECD is bringing its unique methodology and expert resources to conduct a Competition Assessment in two sectors in Tunisia. The OECD's Competition Assessment toolkit helps governments eliminate regulatory barriers to competition. As a result of using the OECD's approach, the MCC Tunisia Country Team will gain a framework and

policy recommendations to shape the proposed compact's business environment project.

MCC's Partnership with Bechtel related to National Infrastructure Master Planning Methodology

MCC and Bechtel launched a partnership in FY 2018 through the APS focused on developing a deeper understanding of the value, approach, and relevance of infrastructure master planning to MCC's operating model and partner countries. Infrastructure master planning is critical for identifying opportunities for coordinated and complementary investments among public sector, private sector, and civil society partners; and the rise of blended finance in emerging markets further underscores the value of comprehensive planning from project conception to closure. Through the national infrastructure master planning partnership, MCC and Bechtel are working together and with relevant stakeholders in the selected MCC partner country to develop a national infrastructure master planning methodology and to co-create a detailed and actionable national infrastructure master plan. MCC and Bechtel chose to partner on this work in order to leverage complementary capabilities of MCC's deep sector-specific infrastructure planning experience in energy, water and sanitation, transportation, and vertical structures with Bechtel's well-established methodology, technical experience, and global expertise in integrated infrastructure master plan development and implementation. MCC intends to use insights from this collaboration to deepen MCC and country counterpart understanding of infrastructure master planning approaches; to evaluate how infrastructure master planning can inform and be informed by the design, development, implementation, and assessment of MCC sector-specific infrastructure programs; and to better assess how infrastructure master planning can catalyze private sector investment in MCC partner countries. Bechtel intends to use insights from this collaboration to better assess how infrastructure master planning processes can help MCC partner countries improve project quality and certainty of outcome for sector-specific or national projects; and to understand how Bechtel can increase the awareness, capacity, and utilization of infrastructure master planning disciplines in MCC partner countries.

MCC Brings Women in Science ("WiSci") partnership to MCC Partner Countries

MCC is helping to empower the next generation of female leaders by bringing the Women in Science ("WiSci") program to MCC partner countries. WiSci is a public-private partnership designed to encourage young women to increase their exposure, obtain skills and motivate young women to pursue careers in science, technology, engineering, arts, and mathematics (STEAM) career fields. Through experiential learning, cross-cultural peer interaction, industry connections, and learning from inspiring accomplished scientists and technologists, WiSci seeks to empower young women with knowledge and leadership and technical skills needed to lead during times of rapid technological development and change. Through a new partnership with the U.S. Department of State and close collaboration with the United Nations Girl Up program, Intel, Google, Microsoft, the American Society for Microbiology, and Georgian private sector and government partners, MCC and MCA-Georgia helped to bring a WiSci camp to Tbilisi, Georgia, in August 2018. The Georgia camp demonstrated the relevance of the WiSci partnership and program model to MCC compacts, and MCC is working with WiSci partners to launch new WiSci camps in MCC partner countries in 2019. In addition, MCA-Georgia entered into a partnership with Women for

Tomorrow to promote and recognize women in business, amplifying the MCC compact's impact on women's economic empowerment.

MCC's Partnership with the International Food Policy Research Institute to Boost Global Food Security

Since its first compact in 2005, MCC has provided more than \$5 billion in funding to strengthen agricultural and rural economies in poor countries and promote reliable access to sufficient, safe, and affordable food. In FY 2018, MCC and the International Food Policy Research Institute (IFPRI) entered into a new collaborative agreement designed to reduce poverty and drive economic growth through more effective interventions all along the agricultural and food economy. The MCC-IFPRI collaboration will produce evidence-based recommendations to advance nutrition sensitivity, strengthen public goods, and attract private sector investment via blended finance mechanisms.

MCC's Partnership with The Brookings Institution

In many of MCC's partner countries, the poor are migrating to urban areas to seek economic opportunity, and urban populations are getting larger. In FY 2018, MCC and The Brookings Institution entered into a strategic partnership to develop and test tools to enhance MCC's ability to quantify the relationship of urbanization and urban environments to national economic growth and poverty reduction in partner countries.

Data for Development Capacity Building

By 2040, 90 percent of jobs worldwide will require some level of data skills. The [Data Collaboratives for Local Impact](#) (DCLI) program, under a \$21.8 million interagency agreement funded by the President's Emergency Plan for AIDS Relief (PEPFAR) and implemented by MCC, empowers individuals and communities to use data to improve lives through better investments, resource allocation, and transparency.

Since mid-2016, in Tanzania, DCLI trained more than 2,000 individuals and engaged over 2,830 community organizations through listening campaigns, art, music, and visualizations to understand local priorities and then use data to improve health, gender-based and economic outcomes. Forty-six individuals and organizations launched innovative data-driven solutions that improve service delivery, empower young women and girls, and support youth employability. Innovative community mapping efforts in subnational areas (wards and shinas in Kyela, Mbeya and Temeke districts) resulted in over 2 million new data points, enabling highly targeted interventions against HIV. Hospitals like the Amana District Hospital (Temeke) are using this information to map disease hotspots, and frontline PEPFAR partners like [Kihumbe](#) are now more effectively connecting vulnerable populations to services.

Tanzania's ability to leverage the data revolution for development will be powered by Tanzanians: this year, inspired by students' interest in the DCLI-funded [Tanzania Data Lab](#), the University of Dar es Salaam launched a Masters' degree in Data Science, the first such program in East Africa. Five DCLI-

funded PEPFAR Scholars, including two women, are part of the inaugural class and will be placed within PEPFAR implementation partners like [MDH](#) , [JHPIEGO](#), [Mkapa Foundation](#) to use data science to solve important development problems.

In mid-2018, DCLI expanded to Cote d'Ivoire, where MCC signed a \$525 million compact and PEPFAR expends more than \$130 million per year. One of the DCLI implementation [partners](#) in Côte d'Ivoire has helped the Ministry of Education to use data to propose locations for the 75-85 MCC-funded secondary schools. Optimal location of these schools will also keep more adolescent girls in school, empowering them economically and contributing to the PEPFAR goal of reducing their risk of contracting HIV. Twenty-nine fellows are expected to complete data science training by December 2018 and will be placed within ministries and organizations at the national and regional levels to augment development impact – the start of a deeper ecosystem approach to better development outcomes.

Strengthening Efforts to Advance Global Development

MCC actively engages with the private sector throughout the development and implementation of its threshold programs and compacts to spur economic growth in partner countries. By holding its partner countries accountable to high standards of good governance and capitalizing on private investment and expertise, MCC is delivering development results and creating new opportunities for U.S. firms in frontier markets.

Driving Reforms

MCC's strict standards for countries to receive aid have created an incentive for countries to make reforms before even a dollar of MCC assistance has been expended, something called the "MCC effect." A country understands that becoming eligible for an MCC compact means more than just grant funding—it is a signal to the world that the country is on a positive track. It also inspires a sense of pride, sending a message that the United States believes it has the political, social, and economic potential for long-term progress. MCC's selection criteria encourage countries to reform policies, strengthen institutions, and improve data quality in order to boost their performance in the areas of economic freedom, ruling justly, and investing in their people, as measured by the MCC scorecard.

MCC programs seek to address barriers to growth and sustain significantly increased levels of income for beneficiaries long after compacts and threshold programs end. To achieve this goal, a compact is implemented in tandem with a broader development strategy. During the compact development process, MCC and the partner country examine conditions surrounding the proposed compact and develop a plan for policy reform that will maximize the compact's impact and sustainability. The partner government must succeed in making crucial policy changes before funding is released and continue with other reforms to improve the operating and policy environment during implementation. These policy reforms ultimately support the conditions necessary for continued growth and investments.

An important demonstration of how MCC's model works to incentivize meaningful change, even in politically challenging environments, occurred in September 2018. The Ghanaian cabinet approved, and parliament ratified, a landmark transaction with a respected international consortium that passed the reforms necessary to improve the financial and operational health of the power sector, triggering the release of the remaining \$190 million in grant funding from MCC. These reforms are a testament to the commitment of the Ghanaian government to improve its power sector in an effort to bring better critical services to its people and meet the increasing demand from businesses and other consumers for reliable energy.

Creating New Opportunities for Economic Growth

Women's Economic Empowerment

Women's economic empowerment is fundamental to achieving MCC's mission to reduce poverty through economic growth. Empowering women leads to healthier economies, increases in household incomes, and higher profits for businesses. The World Bank estimates that if barriers that prevent women from entering

the workforce were eliminated, overall economic productivity would increase by as much as 25 percent in sub-Saharan Africa alone.

MCC found early on that to have lasting impact, we must integrate gender inclusion into everything we do. This is true not just in sectors like education and health, where the importance of girls and women is obvious and well established, but also in sectors such as roads, water, and power. Nearly 70 percent of MCC's program funding is in infrastructure. Women's participation in these sectors—as workers, business owners, and productive beneficiaries—is essential to economic growth.

Gender and social inequality are known constraints to sustained economic growth at the national level. Since its inception, MCC has prioritized the incorporation of gender-inclusive initiatives into its country programs through our requirement of a Social and Gender Integration Plan, and, therefore, MCC is well positioned to be a leader in advancing the U.S. Government's efforts to unlock the potential of women around the world in a holistic, sustainable, and impactful way.

Blended Finance

Central to MCC's work is a continued focus on how to mobilize the capital, expertise, and efficiency of the private sector to help partner country governments deliver faster, better, affordable services and generate sustainable development outcomes. MCC is uniquely positioned within the U.S. Government, finance sector and wider development community to play a more catalytic role in the strategic use of development finance to mobilize private capital flows to our partner countries.

MCC's efforts have already leveraged more than \$6 billion in additional investments and commitments from the private sector and other development partners. By financing foundational work, including support for institutional and policy reforms, MCC is enabling partner country governments to better deliver critical goods and services to their people.

Powering Africa

To fulfill the agency's goal of removing constraints to economic growth, MCC is undertaking major programs in sub-Saharan Africa to reduce energy poverty. The agency has completed implementing power projects in Malawi and is implementing approximately \$1.8 billion worth of power projects, together with our partner countries, that will improve the quality and reliability of electricity in Benin, Ghana, Liberia, Senegal, and Sierra Leone, while also developing power projects in Burkina Faso and The Gambia. These projects focus not only on building physical infrastructure but also on improving the enabling environment to attract private sector investment. Examples include the concession of the electricity distribution company in the southern part of Ghana to a private operator; financing a photovoltaic solar power project in Benin with independent power producers and project finance lenders; and improving the financial position and operations of the utility in Liberia.

Regional Partnerships

On April 23, 2018, President Trump signed the *African Growth and Opportunity Act and Millennium*

Challenge Modernization Act into law, giving MCC the authority to enter into one additional concurrent compact with a country if one or both of the compacts with the country are for the purpose of regional economic integration, increased regional trade, or cross-border collaboration.

After over 15 years of successfully delivering large, complex infrastructure projects and supporting difficult policy reforms in its partner countries, MCC is now poised to tap into economies of scale to achieve greater impact through compacts that support regional economic integration. Many of the world's most compelling opportunities for economic growth and development are regional in scope, and MCC provides assistance at a scale and magnitude that affects significant, sustainable change.

This new authority allows MCC to expand our impact while maintaining a singular focus on reducing poverty through economic growth, using a fully transparent business model underpinned with rigorous analysis, data-based decisions, and corporate accountability through public sharing of all program decisions and outcomes. MCC remains committed to maintaining MCC's principles while we operationalize the new authority. That includes maintaining competitive country selections, ensuring country ownership, continuing commitment for policy performance, sustaining MCC's strict program approval criteria, preserving evidence-based decision-making, focusing on results—including monitoring, and evaluating throughout the program lifecycle—and acting in accordance with the five-year limit on compact duration. MCC will continue to hold its partner countries accountable for results and good governance, advancing greater stability and prosperity at home and abroad.

Endnotes

1. As of September 30, 2018, the Malawi Compact entered the closeout period and, as of the date of this report publication, is still undergoing final reconciliation.
2. Data declined from FY17 due to corrections of misreported data in closed compacts.

Reducing Poverty Through Growth

